

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL MEMORANDUM**

**SB 196 – HB 190**

April 8, 2014

Enacts the “Tennessee Choice and Opportunity Scholarship Act”. Authorizes eligible students to apply for and receive scholarships to attend participating non-public schools. Requires students to meet certain eligibility requirements including, but not limited to, being zoned for or being currently enrolled in a school that is identified as being in the bottom five percent of schools in overall achievement data and meeting age and income requirements. Requires non-public schools to provide an annual notice of intent to participate to the Department of Education (DOE) and to comply with all other participation requirements, which include, but are not limited to, accepting the scholarship amount as payment in full for the cost of tuition and fees that would have been otherwise charged to the student; submitting to the DOE an annual financial audit; and conducting criminal background checks for employees.

Requires the DOE to administer the program and sets forth specific departmental administrative tasks including, but not limited to, providing annual notice of eligibility to the parents of eligible students; determining and approving initial and continuing eligibility for participating schools; and remitting scholarship payments to participating schools. Authorizes scholarship students to enroll in another participating school without loss of eligibility, if a participating school is deemed ineligible.

Requires the annual scholarship amount to be the lesser of the participating school’s annual tuition and fees or the amount of the required state and local Basic Education Program (BEP) funding per pupil. Requires students receiving the scholarship to continue to be counted toward the average daily membership (ADM) of the local education agency (LEA). Requires LEAs to continue funding their portion of the required BEP per pupil expenditure for participating students. Authorizes LEAs to retain any local funding above and beyond the BEP local match requirement. Requires any remaining funds to be retained by the DOE and the LEA, with specific amounts based on the LEA’s state and local BEP funding share division, if a participating school’s tuition and fees is less than the required state and local BEP per pupil expenditure (PPE).

Caps the scholarship program at 5,000 scholarships for FY13-14; at 7,500 scholarships for FY14-15; at 10,000 scholarships for FY15-16; and at 20,000 scholarships for FY16-17 and subsequent fiscal years.

## **FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Expenditures - \$173,000

Other Fiscal Impact – There will be annual shifts of state and local BEP funding from local education agencies to the non-public participating schools of the proposed program. Approximately \$15,842,500 is estimated to shift in FY13-14; \$24,356,300 is estimated to shift in FY14-15; \$33,285,000 is estimated to shift in FY15-16; \$68,230,000 is estimated to shift in FY16-17; and an amount estimated to exceed \$68,230,000 is estimated to shift in FY17-18 and subsequent fiscal years.

**SUMMARY OF AMENDMENTS (003697, 004092, 014758):** Deletes and rewrites the bill such that the only substantive changes are to Sections 4 and 5 of the bill: Section 4 is amended such that a participating school is required to annually administer state assessments or nationally recognized norm-referenced tests that measure education progress in grades that require testing under Tennessee’s accountability system. Participating schools are also required to only offer services to special education students that they would normally offer in the normal course of business and parents must give written acceptance of such services. Amendment 004902 further amends Section 4 such that when a scholarship student leaves a participating school and enrolls in the regular local education agency (LEA), the LEA shall receive the funds that would have otherwise been remitted to the participating school. Section 5 is amended such that the Department of Education (DOE) is required to annually publish student achievement and progress information in accordance with applicable DOE and State Board of Education procedures, rules, and regulations. Amendment 004092 further amends Section 5 such that participating schools are required to provide lunch to scholarship students at no cost or a reduced cost in accordance with the rules and regulations of the federal National School Program. Amendment 014758 requires remaining scholarship funding to go back to the zoned LEA of a participating student if a participating student does not complete the school year at a participating non-public school.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- According to the DOE, the Department will require two positions to administer the program beginning in FY13-14. One position will require a salary of \$80,000 with benefits of \$18,023 for a total of \$98,023 (\$80,000 + 18,023). A second position will require a salary of \$60,000 with benefits of \$15,017 for a total of \$75,017 (\$60,000 + \$15,017).
- The total recurring increase in state expenditures will be \$173,040 (\$98,023 + \$75,017).

- The scholarship program will begin in the fall of 2013.
- Only students attending a priority school, that are eligible for free and reduced price lunch, and that meet all other eligibility requirements, will be eligible to receive the scholarship.
- According to data from the Comptroller, participation levels in other states for scholarship programs of this type have ranged from two to 28 percent.
- Though the exact number of annually-participating students is unknown, it is reasonably estimated that a minimum of 50 percent of the cap will be filled each year beginning in FY13-14.
- In FY13-14, there will be 2,500 students participating; in FY14-15, 3,750 students participating; in FY15-16, 5,000 students participating; in FY16-17, 10,000 students participating; and in FY17-18 and subsequent fiscal years, over 10,000 students participating.
- The following scholarship estimates by fiscal year have been provided by DOE: in FY13-14, \$6,337 per pupil; in FY14-15, \$6,495 per pupil; in FY15-16, \$6,657 per pupil; in FY16-17, \$6,823 per pupil; in FY17-18 and subsequent fiscal years, an amount exceeding \$6,823 per pupil.
- In FY13-14, an estimated \$15,842,500 ( $\$6,337 \times 2,500$ ) will shift from LEAs to participating schools.
- In FY14-15, an estimated \$24,356,250 ( $\$6,495 \times 3,750$ ) will shift from LEAs to participating schools.
- In FY15-16, an estimated \$33,285,000 ( $\$6,657 \times 5,000$ ) will shift from LEAs to participating schools.
- In FY16-17, an estimated \$68,230,000 ( $\$6,823 \times 10,000$ ) will shift from LEAs to participating schools.
- In FY17-18 and subsequent fiscal years, an amount estimated to exceed \$68,230,000 will shift from LEAs to participating schools.
- A majority of LEAs are currently funding their students above and beyond the BEP local match requirement. This amount varies widely by LEA but according to the DOE, the average amount is \$1,180 per pupil
- Each year, students leave and enter LEAs. As a result, LEAs adjust expenditures, teachers, facilities, and other items to meet the change in student population.
- LEAs will be able to use retained funding to offset any increase in local expenditures.
- Based on information provided by DOE, the LEA retention per pupil is estimated: FY13-14, \$1,210 per pupil; in FY14-15, \$1,240 per pupil; in FY15-16, \$1,271 per pupil; in FY16-17, \$1,303 per pupil, in FY17-18 and subsequent fiscal years, exceeds \$1,303 per pupil.
- In FY13-14, it is estimated that LEAs will retain a total of \$3,025,000 ( $\$1,210 \times 2,500$ ).
- In FY14-15, it is estimated that LEAs will retain a total of \$4,650,000 ( $\$1,240 \times 3,750$ ).
- In FY15-16, it is estimated that LEAs will retain a total of \$6,355,000 ( $\$1,271 \times 5,000$ ).
- In FY16-17, it is estimated that LEAs will retain a total of \$13,030,000 ( $\$1,303 \times 10,000$ ).
- In FY17-18 and subsequent fiscal years, LEAs will retain an amount estimated to exceed \$13,030,000.

- As the program grows, LEAs may be able to reduce local funding; however, any decrease cannot be reasonably quantified
- LEAs will not be required to provide transportation to participating schools.
- Any increase in expenditures to provide lunch to scholarship students will be borne by the participating school.
- Authorizing LEAs to receive funds for scholarship students who enroll in a LEA upon leaving a participating school will reallocate this funding back to the LEA.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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